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**FAMILY ROAD OF GREATER BATON ROUGE, INC.**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2012**

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A Professional Accounting Corporation

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**FAMILY ROAD OF GREATER BATON ROUGE, INC.**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2012**

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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Family Road of Greater Baton Rouge, Inc.  
Baton Rouge, Louisiana

We have audited the accompanying statements of financial position of Family Road of Greater Baton Rouge, Inc. (a non-profit organization) as of September 30, 2012 and 2011, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family Road of Greater Baton Rouge, Inc. as of September 30, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming the Organization will continue as a going concern. As noted in Note 10 to the financial statements, the Organization has an accumulated deficit in its unrestricted net assets. The deficit in unrestricted net assets at September 30, 2012 and 2011 was \$363,747 and \$448,101, respectively. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are also described in Note 10. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2013, on our consideration of Family Road of Baton Rouge's Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal award on pages 18 - 19 is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Postlethwaite & Netterville*

Baton Rouge, Louisiana  
March 29, 2013

**FAMILY ROAD OF GREATER BATON ROUGE, INC.**  
**BATON ROUGE, LOUISIANA**

**STATEMENTS OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2012 AND 2011**

**ASSETS**

	<u>2012</u>	<u>2011</u>
<b><u>CURRENT ASSETS</u></b>		
Unrestricted Cash	\$ 1,127	\$ -
Cash - restricted	55,071	-
Accounts receivable	63,370	44,784
Promise to give - United Way	37,125	-
Total current assets	<u>156,693</u>	<u>44,784</u>
 <b><u>PROPERTY AND EQUIPMENT</u></b>		
Building	432,382	432,382
Furniture and equipment	339,002	339,002
Leasehold improvements	385,475	385,475
	<u>1,156,859</u>	<u>1,156,859</u>
Less: Accumulated depreciation	(725,860)	(699,962)
Total property and equipment	<u>430,999</u>	<u>456,897</u>
 <b>Total Assets</b>	 <u><u>\$ 587,692</u></u>	 <u><u>\$ 501,681</u></u>

**LIABILITIES AND NET ASSETS**

<b><u>CURRENT LIABILITIES</u></b>		
Outstanding checks in excess of bank balance	\$ -	\$ 6,308
Accounts payable	36,571	25,721
Accrued expenses	59,017	60,181
Grant payable	-	50,823
Deferred revenues	20,000	-
Notes payable - current portion	17,779	17,779
Total current liabilities	<u>133,367</u>	<u>160,812</u>
 <b><u>LONG-TERM LIABILITIES</u></b>		
Notes payable - less current portion	<u>745,732</u>	<u>788,970</u>
Total long-term liabilities	<u>745,732</u>	<u>788,970</u>
 <b>Total Liabilities</b>	 <u>879,099</u>	 <u>949,782</u>
 <b><u>NET ASSETS (DEFICIT)</u></b>		
Unrestricted	(363,747)	(448,101)
Temporarily restricted	72,340	-
Total net assets (deficit)	<u>(291,407)</u>	<u>(448,101)</u>
 <b>Total Liabilities and Net Assets (Deficit)</b>	 <u><u>\$ 587,692</u></u>	 <u><u>\$ 501,681</u></u>

The accompanying notes are an integral part of these financial statements.

**FAMILY ROAD OF GREATER BATON ROUGE, INC.**  
**BATON ROUGE, LOUISIANA**

**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED SEPTEMBER 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b><u>CHANGES IN UNRESTRICTED NET ASSETS</u></b>		
<b><u>REVENUES AND GAINS</u></b>		
Contributed services	\$ 24,337	\$ 31,307
Donated facilities and materials	44,022	36,938
Public support	4,735	7,106
Fundraising	56,155	81,996
Miscellaneous	27,310	8,866
Forgiveness of debt	43,238	43,238
Rental income	31,736	27,658
Grants	294,829	1,064,047
Total revenues	<u>526,362</u>	<u>1,301,156</u>
<b><u>NET ASSETS RELEASED FROM RESTRICTIONS</u></b>		
Satisfaction of program restrictions	666,172	357,714
Total revenue and support	<u>1,192,534</u>	<u>1,658,870</u>
<b><u>EXPENSES</u></b>		
Program	918,983	1,235,612
Management and general	158,239	205,537
Fundraising	30,958	58,846
Total expenses	<u>1,108,180</u>	<u>1,499,995</u>
Change in unrestricted net assets	<u>84,354</u>	<u>158,875</u>
<b><u>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</u></b>		
Grants	738,512	21,352
Net assets released from restrictions	(666,172)	(357,714)
Change in temporarily restricted net assets	<u>72,340</u>	<u>(336,362)</u>
<b><u>CHANGE IN NET ASSETS</u></b>	156,694	(177,487)
Net assets at beginning of year	<u>(448,101)</u>	<u>(270,614)</u>
Net assets at end of year	<u>\$ (291,407)</u>	<u>\$ (448,101)</u>

The accompanying notes are an integral part of these financial statements.

**FAMILY ROAD OF GREATER BATON ROUGE, INC.**  
**BATON ROUGE, LOUISIANA**

**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED SEPTEMBER 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ 156,694	\$ (177,487)
Adjustments to reconcile the change in net assets to net cash used in operating activities:		
Depreciation	25,899	31,348
Forgiveness of note payable	(43,238)	(43,238)
Changes in operating assets and liabilities:		
Accounts receivable	(18,586)	44,698
Promise to give - Building Strong Families	-	83,818
Promise to give - United Way	(37,125)	-
Prepaid expenses	-	2,830
Grant payable	(50,823)	50,823
Accrued expenses and accounts payable	9,685	(17,998)
Deferred revenues	20,000	(20,000)
Net cash (used in) provided by operating activities	<u>62,506</u>	<u>(45,206)</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Outstanding checks in excess of bank balance	(6,308)	6,308
Principal payments on notes payable	-	(6,607)
Net cash used in financing activities	<u>(6,308)</u>	<u>(299)</u>
 Net increase (decrease) in cash	 56,198	 (45,505)
Cash - beginning of year	<u>-</u>	<u>45,505</u>
Cash - end of year	<u>\$ 56,198</u>	<u>\$ -</u>
 <b><u>Supplemental disclosure:</u></b>		
Interest paid	<u>\$ -</u>	<u>\$ 3,798</u>

The accompanying notes are an integral part of these financial statements.



**FAMILY ROAD OF GREATER BATON ROUGE, INC.**  
**BATON ROUGE, LOUISIANA**

**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEARS ENDED SEPTEMBER 30, 2012 AND 2011**

	<b>2012</b>			
	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and contract fees	\$ 482,414	\$ 72,052	\$ 8,444	\$ 562,910
Payroll taxes and employee benefits	96,031	14,343	1,681	112,055
Utilities and building maintenance	24,049	2,761	-	26,810
Insurance	13,166	2,865	64	16,095
Depreciation	22,688	3,211	-	25,899
Interest expense	-	9,534	-	9,534
In-kind donations (program)	68,360	-	-	68,360
Meetings, travel and education	25,030	-	-	25,030
Legal and accounting fees	-	40,047	-	40,047
Marketing	31,169	-	-	31,169
Rent	12,404	2,986	-	15,390
Telephone	40,639	1,518	-	42,157
Office and computer supplies	21,175	2,043	-	23,218
Printing and publications	3,638	163	-	3,801
Postage	197	23	-	220
Fundraising expenses	-	-	20,769	20,769
Program and other expenses	78,023	6,693	-	84,716
	<u>\$ 918,983</u>	<u>\$ 158,239</u>	<u>\$ 30,958</u>	<u>\$ 1,108,180</u>

The accompanying notes are an integral part of these financial statements.

**2011**

<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
\$ 712,927	\$ 106,482	\$ 12,478	\$ 831,887
190,891	28,511	3,341	222,743
16,463	1,890	-	18,353
23,763	5,171	116	29,050
27,461	3,887	-	31,348
-	9,268	-	9,268
68,245	-	-	68,245
15,518	-	-	15,518
-	34,531	-	34,531
12,298	-	-	12,298
26,176	6,301	-	32,477
42,799	1,598	-	44,397
23,012	2,220	-	25,232
8,910	400	-	9,310
1,648	195	-	1,843
-	-	42,911	42,911
65,501	5,083	-	70,584
<u>\$ 1,235,612</u>	<u>\$ 205,537</u>	<u>\$ 58,846</u>	<u>\$ 1,499,995</u>

# **FAMILY ROAD OF GREATER BATON ROUGE, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

### **1. Summary of Significant Accounting Policies**

#### **Organization and Purpose**

Family Road of Greater Baton Rouge, Inc. (the Organization) is a non-profit organization which was created to provide a place to help meet the needs of families through collaboration and coordination of community resources. The sources of income to the Organization include donations (public support), grants, donated services, and materials.

The Healthy Start Grant was initially awarded to the Organization during the year ended September 30, 2002. The grant was renewed for an additional four years in June 2005. In 2009, the grant was renewed for an additional five years beginning June 1, 2009 with reimbursement for qualified expenses up to \$700,000 per year. Funding is provided by the U.S. Department of Health and Human Services through the Health Resources and Services Administration-Maternal and Child Health Bureau. The goal of the Healthy Start Grant funding is to enhance the community's service system to address significant infant mortality and other prenatal health indicators related to disparities or differences occurring due to lack of education, low income, disability, or living in rural areas.

#### **Basis of Accounting and Reporting**

The Organization prepares its financial statements on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

#### **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **Cash and Cash Equivalents**

Cash and cash equivalents include all monies in banks with original maturities of less than three months. Restricted cash represents amounts held by the Organization with donor-imposed restrictions.

#### **Accounts Receivable**

The Organization determines past due accounts based on contractual terms and does not charge interest on the accounts. The Organization charges off receivables if management considers the collection of the outstanding balance to be doubtful. Management does not believe an allowance is necessary at September 30, 2012 or 2011.

# **FAMILY ROAD OF GREATER BATON ROUGE, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

### **1. Summary of Significant Accounting Policies (continued)**

#### **Property and Equipment**

Property and equipment are stated at historical cost. Depreciation of property and equipment is based upon the estimated useful lives of the assets, which range from 5 -39 years, using the straight-line method. Maintenance and repairs are charged to expense, while additions and improvements are capitalized.

#### **Revenue Recognition and Promises to Give**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions. The Organization does not have any permanently restricted net assets at September 30, 2012 or 2011.

Grants for fee income are recorded as unrestricted net assets in the Statements of Activities. All grantor-restricted support is reported as an increase in temporarily restricted net assets in the Statements of Activities.

#### **Deferred Revenue**

Deferred revenue represents sponsorships received for a fundraising event to be held in the upcoming year. Deferred expenses represent costs incurred in preparation of the upcoming event. After the event is held, the revenue and expense will be realized and recorded respectively as revenue and expense.

#### **Contributed Services**

The Organization recognizes contribution revenue for certain services received at the estimated fair value of those services, provided those services create or enhance non-financial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased, if not provided by donation.

#### **Donated Materials and Equipment**

Donated materials and equipment are reflected as contribution income and expense in the accompanying financial statements at their estimated values at the date of receipt. The Organization operates, with a minimal charge, certain premises upon which their office is located. The estimated fair rental value of the premises is reported as support and expense in the year in which the premises are used. During September 2010, the Organization purchased the building. See Note 2.

# **FAMILY ROAD OF GREATER BATON ROUGE, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

### **1. Summary of Significant Accounting Policies (continued)**

#### **Functional Allocation of Expenses**

The costs of providing the various programs and administrative activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated between program and administrative expense based on management's estimate.

#### **Income Taxes**

The Organization has been recognized by the Internal Revenue Service as a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes. Accordingly, no provision for income taxes on related income has been included in the financial statements.

The Organization follows the accounting guidance related to accounting for uncertain tax positions. In Management's judgment, the Organization does not have any tax positions that would result in a loss contingency considering the facts, circumstances, and information available at the reporting date.

With few exceptions, the statute of limitation for the examination of the Organization's income tax return is generally 3 years from the due date of the tax return including extensions. The tax years open for assessment are the years ending on or after September 30, 2009.

### **2. Notes Payable**

On January 1, 2005, the Organization paid Woman's Hospital \$40,000 and signed a promissory note for \$582,559 to consolidate the Organization's original debt due to Woman's Hospital and the Baton Rouge Area Foundation (BRAAF) along with additional amounts loaned to the Organization for operating costs. The Organization began making monthly payments on this debt on June 1, 2005. During the year ended September 30, 2011, the Organization requested and obtained permission to defer principal payments for the period beginning January 1, 2011 until the Organization can obtain additional, sustainable revenues (see Note 10) resulting in monthly interest payments only of \$781 due during the deferment period. The original and combined payments of principal and interest will resume with a balloon payment due at maturity based on an agreed upon amortization schedule. The note was still in deferment as of September 30, 2012 and no interest payments were made during the year.

The Organization received \$427,250 as part of a loan agreement with the Office of Community Development during the year ended September 30, 2010 which was used for the purchase of the building used by Family Road. An additional \$5,132 was received during the year ended September 30, 2011 once the closing was completed. This is a principal only loan with a term of 10 years. The repayment terms of the note will be forgiven as long as Family Road can establish proof of services paid for by using non-federal funds equal to or greater than the annual repayment amount. In addition, no less than 51% of the activities carried out with the funds under the agreement must be provided to low or moderate income persons. During the years ended September 30, 2012, and 2011, \$43,288 annually was forgiven on the loan.

**FAMILY ROAD OF GREATER BATON ROUGE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

2. **Notes Payable** (continued)

A summary of long-term debt at September 30, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Community Development Block Grant (CDBG) loan; 10 years at 0%, forgivable; secured by the building	\$ 345,906	\$ 389,144
Woman's Hospital; 15 years at 2%, requiring a \$40,000 Initial payment, monthly payments of \$2,947, and a balloon payment at the end of 15 years of \$199,795; unsecured.	<u>417,605</u> 763,511	<u>417,605</u> 806,749
Less: current maturities	( <u>17,779</u> )	( <u>17,779</u> )
Long-term debt, net of current maturities	<u>\$ 745,732</u>	<u>\$ 788,970</u>

Total scheduled debt payments, assuming the remaining CDBG loan is not forgiven in year 10, during the years ending September 30th are as follows:

<u>Year Ending</u>	<u>Amount</u>
2013	\$ 17,779
2014	27,161
2015	27,709
2016	28,269
2017	28,839
Thereafter	<u>633,754</u>
	<u>\$ 763,511</u>

3. **Donated Materials**

The Organization received various donations of materials to be used both within the program and to be distributed to clients without charge during fiscal years 2012 and 2011. These contributions have been recorded as revenue with the offset recorded to expenditures. The values of donated materials and facilities received during the years ended September 30, 2012 and 2011 were \$44,022 and \$36,938 respectively.

4. **Contributed Services**

During the years ended September 30, 2012 and 2011, the total value of contributed services meeting the requirements for recognition in the financial statements was \$24,337 and \$31,307, respectively. Contributed services represent volunteer hours worked by various social workers, nutritionists, and other professionals.

## **FAMILY ROAD OF GREATER BATON ROUGE, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

#### **5. Conditional Promises to Give**

During the year ended September 30, 2010, the Organization received a conditional promise to give relating to the Dedicated Dads Program. The conditional promise to give was a matching grant of \$25,000. The \$25,000 match was raised by the Organization subsequent to the year ended September 30, 2010 and the resulting contribution is reflected in the financial statements for fiscal 2011.

#### **6. Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the salaries and other program expenditures for the following programs:

	<u>2012</u>	<u>2011</u>
Huey and Angelina Wilson Foundation	\$ 21,272	\$ -
United Way	38,573	-
Healthy Start	12,495	-
	<u>\$ 72,340</u>	<u>\$ -</u>

#### **7. Net Assets Released from Restrictions**

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by occurrences of other events specified by the donors for the following programs:

	<u>2012</u>	<u>2011</u>
Building Strong Families	\$ -	\$ 323,973
United Way	10,927	-
Healthy Start	651,517	-
Wilson Foundation	<u>3,728</u>	<u>33,741</u>
	<u>\$ 666,172</u>	<u>\$ 357,714</u>

#### **8. Concentration of Credit Risk**

The Organization maintains several accounts at a local financial institution. The balances, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limits. Management believes the credit risk associated with these deposits is minimal.

#### **9. Pension Plan**

All employees, 18 years of age or older, are eligible to participate in the Employee Retirement Savings Plan at the date of hire. Employees may make voluntary contributions of up to 25% of their pay up to \$11,500 per year. There currently is no match requirement under this plan for the Organization.

## **FAMILY ROAD OF GREATER BATON ROUGE, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

#### **10. Going Concern**

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles, which contemplate continuation of the Organization as a going concern. Over the past several years, the Organization has experienced operating losses and negative cash flow from operating activities due to unforeseen state cuts and federal grant funding delays and to the lack of unrestricted donations necessary to cover administrative and overhead costs of the Organization. At September 30, 2012 total liabilities exceeded total assets by \$291,407. The Organization has an accumulated deficit in unrestricted net assets totaling \$363,747. At September 30, 2012 there was minimal unrestricted cash and at September 30, 2011 there was no unrestricted cash. These factors raise substantial doubt about the Organization's ability to continue as a going concern.

The Organization has developed a management plan to manage its cash flow and liabilities through management of expenses and seeking new sources of support which include the following:

- Management will partner with doctors and other medical services to lease out office space.
- Management will implement waiver program for additional funds for agency by providing case management services.
- Management will increase parenting and workshop contracts with schools and businesses in the state of Louisiana.
- Management will develop and implement multi-levels of fund development for the organization.
- Management will continue to apply for grants and contracts that support their mission.
- Management will increase number of applicants served for Medicaid applications.

The ability of the entity to continue as a going concern is dependent upon the success of these plans. The financial statements do not include any adjustments that might be necessary if the entity is unable to continue as a going concern.

#### **11. Subsequent Event**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 29, 2013, and determined that no events occurred that required disclosure. No events occurring after this date have been evaluated for inclusion in these financial statements.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS**

Board of Directors  
Family Road of Greater Baton Rouge, Inc.  
Baton Rouge, Louisiana

We have audited the financial statements of Family Road of Greater Baton Rouge, Inc. (Family Road) (a non-profit organization) as of and for the year ended September 30, 2012, and have issued our report thereon dated March 29, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of Family Road is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Family Road's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, and not to provide an opinion on the effectiveness of Family Road's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting which is described in the accompanying schedule of findings and questioned costs as item 2012-1. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Family Road's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2012-2, 2012-3, 2012-4, 2012-5 and 2012-6.

Family Road's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Family Road's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information of the Board of Directors, Management, federal and state awarding agencies and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Postlethwaite & Netterville*

Baton Rouge, Louisiana  
March 29, 2013

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB  
CIRCULAR A-133**

Board of Directors  
Family Road of Greater Baton Rouge, Inc.  
Baton Rouge, Louisiana

**Compliance**

We have audited Family Road of Greater Baton Rouge, Inc.'s (Family Road) (a non-profit organization) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Family Road's major federal programs for the year ended September 30, 2012. Family Road's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Family Road's management. Our responsibility is to express an opinion on Family Road's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Family Road's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Family Road's compliance with those requirements.

In our opinion, Family Road complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2012-2, 2012-3, 2012-4, 2012-5 and 2012-6.

## Internal Control Over Compliance

Management of Family Road is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Family Road's internal control over compliance with the requirements that could have a direct and material effect on its major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Family Road's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2012-2, 2012-3, 2012-4, 2012-5 and 2012-6. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Family Road's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Family Road's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Board of Directors, Management, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Postlethwaite ; Netterville*

Baton Rouge, Louisiana  
March 29, 2013

**FAMILY ROAD OF GREATER BATON ROUGE, INC.**  
**BATON ROUGE, LOUISIANA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED SEPTEMBER 30, 2012**

<u>Federal Grantor/ Pass-Through Grantor/ Program Name</u>	<u>CFDA Number</u>	<u>Expenditures</u>
<b><u>U.S. Department of Health and Human Services</u></b>		
Pass-through from		
Health Resources and Services Administration		
Maternal and Child Health Bureau:		
Healthy Start Program	93.926E	\$ 651,517
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<b><u>\$ 651,517</u></b>

See accompanying notes to Schedule of Expenditures of Federal Awards.

**FAMILY ROAD OF GREATER BATON ROUGE, INC.**  
**BATON ROUGE, LOUISIANA**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED SEPTEMBER 30, 2012**

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of federal awards includes the federal grant activity of Family Road of Greater Baton Rouge, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**NOTE B – RECONCILIATION OF EXPENSES TO FEDERAL EXPENDITURES**

Program Expenses	\$ 918,983
Non-cash adjustments- depreciation	( 25,899)
Non-cash adjustments – donated services	( 68,360)
Non-Federal Expenditures	( 173,207)
Total Federal Expenditures	<u>\$ 651,517</u>

**FAMILY ROAD OF GREATER BATON ROUGE, INC.**  
**BATON ROUGE, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED SEPTEMBER 30, 2012**

**SUMMARY OF AUDITORS' RESULTS**

*Financial Statements*

Type of auditors' report issued: Unqualified Opinion, Going Concern

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☒ yes ☐ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency (ies) identified that are not considered to be material weaknesses? ☒ yes ☐ none reported

Type of auditor's report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ☒ yes ☐ no

The Program tested as major programs include:  
Healthy Start Program CFDA # 93.926E

- The threshold for distinguishing Types A and B programs was program expenditures equal to or exceeding \$300,000.
- Family Road of Greater Baton Rouge, Inc. did not qualify as a low-risk auditee.

**FAMILY ROAD OF GREATER BATON ROUGE, INC.**  
**BATON ROUGE, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED SEPTEMBER 30, 2012**

**FINDINGS AND QUESTIONED COSTS –Financial Statement Audit**

**2012-1 Supporting Documentation**

**Criteria:** Cash disbursements should be supported by adequate documentation to ensure that checks are issued for valid purposes that support the Organizations policies.

**Condition:** We noted two instances where the check copies were the sole documentation retained in support of disbursements.

**Cause:** Due to the circumstances with the availability of the accounting personnel during the year, several of the accounting records were unable to be located.

**Effect:** The Organization is unable to provide supporting documentation for the expenditures.

**Recommendation:** We recommend that the Organization maintain a copy of the invoice for each cash disbursement to ensure payments are properly supported in accordance with the Organization's policies and to ensure that duplicate payments do not occur.

**View of Responsible Official and Planned Corrective Action**

*Family Road is now staffed with a full time accountant. Invoices will be obtained for every disbursement and filed with the check copies.*

**FINDINGS AND QUESTIONED COSTS – Major Federal Award Programs**

**2012-2 Reporting – Timely submission of Financial Status Report**

**Criteria:** Grantees of the Healthy Start Initiative are required to submit progress reports on an annual basis. Financial status reports are required no later than 90 days after the end of each budget period.

**Condition:** The Financial Status Report for the budget period June 1, 2011 through May 31, 2012 was required to be submitted by August 31, 2012. The report was filed electronically on October 16, 2012.



**FAMILY ROAD OF GREATER BATON ROUGE, INC.**  
**BATON ROUGE, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED SEPTEMBER 30, 2012**

**FINDINGS AND QUESTIONED COSTS – Major Federal Award Programs** (continued)

**2012-2 Reporting – Timely submission of Financial Status Report** (continued)

Cause: Due to the absence of the accounting personnel during the year, without appropriate back-up of other personnel, the report was not filed timely.

Effect: The Grantee is not in compliance with the reporting requirements of the grant agreement.

Recommendation: We recommend that a process be implemented to ensure that the financial status reports are submitted within 90 days after the end of each budget period. We also recommend cross training of personnel to help ensure all reporting and monitoring deadlines are met.

**View of Responsible Official and Planned Corrective Action**

*Cross trained personnel for filing the required reports are now in place in case of extended absence of the accountant.*

**2012-3 Reporting – Accuracy of Data submitted**

Criteria: Accounting records should support the expenditures requested from the Federal Program and should be properly reflected in the quarterly and annual reports.

Condition: The Organization prepared the Annual Financial Status Report using budgeted instead of actual numbers. It was also noted that the Organization did not report actual disbursements on the Quarterly Federal Financial Reports. There was a difference between the reported and actual cash receipts for the 1<sup>st</sup> and 2<sup>nd</sup> quarter submissions.

Cause: Due to the absence of the accounting personnel during the year, the accounting records were not reconciled on a timely basis and the required reports were not completed correctly.

Effect: The Organization is out of compliance with the program requirements.

**FAMILY ROAD OF GREATER BATON ROUGE, INC.**  
**BATON ROUGE, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED SEPTEMBER 30, 2012**

**FINDINGS AND QUESTIONED COSTS – Major Federal Award Programs (continued)**

**2012-3 Reporting – Accuracy of Data submitted (continued)**

**Recommendation:** The Organization should establish a process for preparing the quarterly and annual reports and ensure that amounts reported agree to the accounting records. Someone other than the preparer should review the reports prior to submission. Additionally, we recommend cross training personnel on the reporting requirements for federal and other grant programs.

**View of Responsible Official and Planned Corrective Action**

*Accounting personnel are now on staff to reconcile all records and submit reports timely. Actual costs will be used in the reports. Cross training is also taking place to ensure reports will be filed on time should there be any absence in the accounting department.*

**2012-4 Allowable Costs – Supporting documentation**

Questioned Costs: \$1,750

**Criteria:** Federal guidelines require that accounting records support the expenditures requested from federal programs in order to be considered allowable costs.

**Condition:** The Organization was unable to provide supporting documents for two purchases made with Federal funds.

**Cause:** Due to the absence of the accounting personnel during the year, several of the accounting records were unable to be located.

**Effect:** The Organization is unable to show documentation that the costs are allowable per the Federal Program guidelines.

**Recommendation:** We recommend that the Organization maintain a copy of the invoice for each cash disbursement to ensure payments are properly supported in accordance with the Organization's grant agreements and to ensure that duplicate payments do not occur.

**View of Responsible Official and Planned Corrective Action**

*Family Road is now staffed with a full time accountant. Invoices will be obtained for every disbursement and filed with the check copies.*

**FAMILY ROAD OF GREATER BATON ROUGE, INC.**  
**BATON ROUGE, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED SEPTEMBER 30, 2012**

**FINDINGS AND QUESTIONED COSTS -- Major Federal Award Programs (continued)**

**2012-5 Allowable Costs -- Indirect Cost Allocation**

Questioned Costs: \$3,687

- Criteria: The Federal Grant allows for an indirect cost allocation of 10% of direct costs.
- Condition: The Organization has requested and received indirect costs based on the budgeted expenditures versus actual expenditures which resulted in an excess receipt of indirect revenue of \$3,687.
- Cause: Due to the absence of the accounting personnel during the year, the accounting records were not reconciled on a timely basis.
- Effect: The Organization is out of compliance with the program requirements.
- Recommendation: The Organization should reconcile the expenditures to the revenue received on a monthly basis and request the indirect cost rate on actual expenditures. Management should review the requests and repay funds that may have been received in error.

**View of Responsible Official and Planned Corrective Action**

*Accounting personnel are now on staff to reconcile all records and submit reports timely. Actual costs will be used in the reports.*

**2012-6 Allowable Costs**

Questioned Costs: \$33,097

- Criteria: Prior to March 2012, funds were to be requested from the Healthy Start Program on a cost reimbursement basis for program expenditures.
- Condition: The Organization requested an advance of funds during the month of February 2012 in the amount of \$33,097 to pay for approved payroll related expenses. This is a repeat finding from last year.
- Cause: The Organization experienced significant cash flow issues during the year due to reduced funding and timing of grant receipts.
- Effect: The Organization is out of compliance with the program requirements and must repay these funds to the Healthy Start Program.

**FAMILY ROAD OF GREATER BATON ROUGE, INC.**  
**BATON ROUGE, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED SEPTEMBER 30, 2012**

**FINDINGS AND QUESTIONED COSTS – Major Federal Award Programs** (continued)

**2012-6 Allowable Costs** (continued)

Questioned Costs: \$33,097

**Recommendation:**      The Organization should continue to look for unrestricted sources of revenue in order to improve cash flows. Funds should not be drawn in advance for program related expenses. Repayment of the funds to the Healthy Start Program should be made as timely as possible.

**View of Responsible Official and Planned Corrective Action**

*The Organization's Management agrees with the finding. We would like to point out that Family Road fully reimbursed Healthy Start for all advance funds received as of May 31, 2012, the end of the grant period. Family Road is now in compliance with requesting funds from Healthy Start and is continuing to seek other revenue streams to improve cash flow.*

**FAMILY ROAD OF GREATER BATON ROUGE, INC.**  
**BATON ROUGE, LOUISIANA**

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED SEPTEMBER 30, 2011**

**FINDINGS AND QUESTIONED COSTS –Financial Statement Audit**

**2011-1 Timely Submission of the Financial Statement and Compliance Audit**

<u>Criteria:</u>	LA R.S. 24:513 requires all political subdivisions to submit audited financial statements and other appropriate compliance audit reports to the Louisiana Legislative Auditor within six months of the end of its fiscal year.
<u>Condition:</u>	The financial statements and compliance audits were submitted after the six month time frame.
<u>Cause:</u>	The Organization experienced significant cash flow issues during the year and was unable to pay the prior year audit fees by the March 31, 2012 deadline.
<u>Effect:</u>	The Organization is out of compliance with the statute.
<u>Recommendation:</u>	The Organization should continue to look for unrestricted sources of revenue in order to improve cash flows and strive to comply with the requirements to submit audited financial statements within six months of the end of fiscal year.

**View of Responsible Official and Planned Corrective Action**

*The Organization's Management agrees with the finding. We would like to point out that submitting our audit untimely is an uncommon practice. This year's audit encountered unusual circumstances. However, steps will be taken to ensure timely submission of future audits in accordance with the aforementioned statute.*

Updated Response: Corrected.

**FINDINGS AND QUESTIONED COSTS – Major Federal Award Programs**

**2011-2 Allowable Costs**

Questioned Costs: \$50,823

<u>Criteria:</u>	Funds are to be requested from the Healthy Start Program on a cost reimbursement basis for program expenditures.
<u>Condition:</u>	The Organization requested an advance of funds during the months of July, August and September of 2011 in the amount of \$50,823 to pay for non-program related expenses.
<u>Cause:</u>	The Organization experienced significant cash flow issues during the year due to reduced funding and timing of grant receipts.

**FAMILY ROAD OF GREATER BATON ROUGE, INC.**  
**BATON ROUGE, LOUISIANA**

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED SEPTEMBER 30, 2011**

**FINDINGS AND QUESTIONED COSTS – Major Federal Award Programs** (continued)

**2011-2 Allowable Costs** (continued)

Questioned Costs: \$50,823

**Effect:** The Organization is out of compliance with the program requirements and must repay these funds to the Healthy Start Program.

**Recommendation:** The Organization should continue to look for unrestricted sources of revenue in order to improve cash flows. Funds should not be drawn in advance for non-program related expenses. Repayment of the funds to the Healthy Start Program should be made as timely as possible.

**View of Responsible Official and Planned Corrective Action**

*The Organization's Management agrees with the finding. We would like to point out that Family Road fully reimbursed Healthy Start for all advance funds received as of May 31, 2012, the end of the grant period.*

Updated Response: Corrected.

**2011-3 Reconciliation of Expenditures to the SEFA**

Questioned Costs: \$9,300

**Criteria:** Accounting records should support the expenditures requested from the Federal Program on a reimbursement type grant. Receipts should be reconciled on a timely basis.

**Condition:** The federal program expenditures do not reconcile to the revenue received.

**Cause:** Due to the absence of the accounting personnel during the year, the accounting records were not reconciled on a timely basis.

**Effect:** The Organization is out of compliance with the program requirements.

**Recommendation:** The Organization should reconcile the expenditures to the revenue received on a monthly basis and repay funds that may have been requested in error.

**View of Responsible Official and Planned Corrective Action**

*The Organization's Management agrees with the finding. Family Road's accounting department incorrectly factored payroll accrual adjustments into the SEFA reconciliation. Quarterly reconciliations will be prepared, properly account any payroll taking into accruals.*

Updated Response: Corrected.